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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

BEFORE THE HONORABLE JACQUELINE SCOTT CORLEY, MAGISTRATE JUDGE

IN RE: FACEBOOK, INC. CONSUMER PRIVACY USER PROFILE LITIGATION.

NO. 18-MD-2843 VC (JSC) San Francisco, California Monday, November 9, 2020

#### TRANSCRIPT OF ZOOM VIDEOCONFERENCE PROCEEDINGS

#### 1:33 P.M. TO 2:01 P.M.

## APPEARANCES:

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(Appearances continued, next page)

## APPEARANCES, CONTINUED:

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# Monday, November 9, 2020 1 1:33 p.m. 2 PROCEEDINGS THE CLERK: Calling Case No. 18-md-2843, In Re: 3 Facebook, Inc. Consumer Privacy User Profile Litigation. 4 5 Counsel for the plaintiffs, please state your appearances for the record. 6 MR. LOESER: Good afternoon, Your Honor. 7 Loeser from Keller Rohrback. 8 THE COURT: Good afternoon. 9 MS. WEAVER: Good afternoon, Your Honor. Lesley 10 11 Weaver, Anne Davis and Matt Montgomery from Bleichmar Fonti & Auld. 12 THE COURT: Good afternoon. 13 MR. GOULD: Benjamin Gould from Keller Rohrback. 14 15 THE COURT: Hello. 16 MS. DANIEL: Adele Daniel from Keller Rohrback. 17 THE COURT: Hi. 18 THE CLERK: And for defendants? MS. STEIN: Good morning, Your Honor. Deborah Stein 19 20 for Facebook. 21 I'm here today with Russ Falconer who will be arguing on behalf of Facebook, Joshua Lipshutz, and Martie Kutscher. 22 23 **THE COURT:** Hi, everybody. Okay. Let's see. So we had some discussion about this 24 last go-round on the motion to file an amended complaint. 25

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And I guess I should start with -- who's arguing for the
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     plaintiffs?
               MR. LOESER: Yes, thank you, Your Honor.
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               Adele Daniel will be arguing for the plaintiffs.
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      Loeser.
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               THE COURT: Okay.
               MR. LOESER: And there is one housekeeping matter
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      that I just wanted to bring to your attention before we get
      started, if that's okay?
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               THE COURT:
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                           Sure.
               MR. LOESER: You probably haven't seen, but a
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      stipulation was filed a few minutes ago that resolves the
      motion-to-strike portion of Facebook's motion. So the motion
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      to dismiss is still pending, and Ms. Daniel will be arguing
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      that.
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          But there was another portion of their motion that had to
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     do with the allegations in the consolidated amended complaint,
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     the second amended complaint. The parties have resolved that
     issue by stipulation, which has now been filed.
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          So what we have for today is the motion to dismiss.
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               THE COURT: Was the -- the stipulation, I assume,
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      just says that my prior rulings apply to the allegations in
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      the complaint, which is what I was going to say anyway.
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               MR. LOESER: Right.
                           So, okay.
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               THE COURT:
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          So Ms. Daniel, then, I should start with you, I think.
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So I guess my -- my view of this is that there are certain facts which, if they existed, could make this a difficult question.

I think that for example, had Facebook foisted the forum-selection clause upon its U.K. users in an effort to undercut the class action, that could -- you know, that could be an issue.

I also think that if the -- these new U.K. plaintiffs had been named plaintiffs -- named plaintiffs -- in the original lawsuit, that that could create problems for them.

Potentially, at least. At a minimum, it would make this a more difficult motion.

But I think that what we know now is that, you know,

Facebook did not foist this provision on its U.K. users in an

effort to undercut the class action. I think that's

undisputed. That it was -- it was doing so to comply with

European law. And these new U.K. plaintiffs were members of

the proposed class, right, as absent -- as absent class members

when the lawsuit was originally filed. But they were not

actual plaintiffs in the case.

And under those circumstances, and given the language of the forum-selection clause and, I guess, the choice-of-law provision, you know, it seems clear to me that it does apply to the named -- the new named U.K. plaintiffs. And that the result of that is that I need to grant the motion to dismiss as

to the U.K. plaintiffs.

Of course, it's without prejudice to those U.K. plaintiffs and anybody else in the U.K. who's a Facebook user, or who was a Facebook user at the pertinent times, to file, you know, their own lawsuit in the U.K.

And you know, I say that because the language of the clause -- which I'm pulling up right now -- pretty clearly is not limited to any dispute that arises, you know, after the parties entered into the agreement.

And so I -- I think -- I think this is a fairly clear-cut case, a clear-cut motion in Facebook's favor. And so that's the view I have of it, coming into the hearing.

Tell me where I went wrong in that analysis.

MS. DANIEL: Well, I'll address the two issues in turn.

First, even if they didn't foist this new agreement on the U.K. plaintiffs, what they're doing is foisting the application of the agreement on this lawsuit that -- that predated the new term.

So --

THE COURT: Right.

MS. DANIEL: Right. So it's the application. It's not the new terms, themselves; it's the application that's unreasonable.

The language did not indicate to U.K. plaintiffs -- you

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know, it says, you know, "will apply," "will govern," so we
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     read that language to be prospective. And Facebook provided
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     U.K. plaintiffs no indication that it was going to turn around
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     and interpret these terms to extinguish a pre-existing lawsuit
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 5
     that had been filed on their behalf.
               THE COURT: Well, but, I mean, I guess that's --
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 7
      that's simply an issue of interpreting the language of the
      agreement that Facebook entered into with its U.K. users in --
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      when was it? 2019?
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               MS. DANIEL: May, 2018.
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               THE COURT: May, 2018.
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               MS. DANIEL: Uh-huh.
               THE COURT: And, you know, I quess I disagree with
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            I mean, you have that first prefatory paragraph that,
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      you know, talks about what laws will apply, and if a dispute
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      does arise.
          But, you know, the rest of the language seems to make
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     pretty clear that it's not limited to cases that will -- you
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     know, disputes that will arise in the future.
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          I mean, first it says -- you know, I'm looking at the
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     paragraph immediately below the one that you like to cite.
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                                                                  Ιt
     says -- you know, makes reference to (As read):
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23
               "...any dispute that you have against us that arises
               out of or relates to these terms or Facebook
24
25
               products."
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Right? And then further it specifies in the next paragraph that:

"These terms supersede any prior agreements."

Right? So what's the point of saying that these terms supersede the prior agreements, if the prior agreements would still apply to a lawsuit that's filed in the future about something that happened in the past?

MS. DANIEL: It's saying that, going forward, that these clauses and these terms apply. So they couldn't change anything, for example, about what consent the plaintiffs had made for the activities of Facebook prior to the agreement. It's applying, going forward. And we agree that the terms do apply from May, 2018, on.

Where we disagree is that they apply to claims that were already accrued prior to that. But even if they apply to, you know, claims that had accrued prior to that, it's something altogether different to say that they apply in a lawsuit that's already been filed.

And that's what --

THE COURT: Well, that sort of gets to the second point that I was making at the outset, which is that it's true that the lawsuit was filed, but the lawsuit was filed by somebody else. Right? And the lawsuit was not filed by the U.K. plaintiffs who are now proposing to be the -- the class representatives in this case. The named plaintiffs in this

case.

To be sure, their claims relate back to the original filing date for statute-of-limitations purposes. But they were, nonetheless, not the plaintiffs in the lawsuit back then. And so if they had been the plaintiffs in the lawsuit back then, I think that, like I said, that would make it a more difficult question, and Facebook might very well be facing an uphill battle. But, they weren't in the lawsuit. They hadn't filed a lawsuit yet.

They're trying to file a lawsuit -- trying to file a lawsuit against Facebook many months after they -- they entered into this agreement about the forum and about the law that applies.

MS. DANIEL: So the courts recognize that they were

-- but they were putative class members. And courts recognize
in the class-action context that when you're substituted in

(Inaudible) the plaintiff, they step into the shoes of the
former named representative.

So courts recognize, like in *Phillips v. Ford Motor*Company, that substitution is common in class action. That often a plaintiff has to withdraw from a case for personal reasons, and one of those putative class members who had been waiting in the wings steps into their shoes for all purposes.

And courts recognize that it's true, as you said in the relates-back context, as in *Immigrants Assistance Project*, but

they also recognize it in Graves. And we're talking about 1 tolling of claims. It's just a simple substitution. 2 It's not meant to muck anything up or change anything about the lawsuit. 3 It's --4 5 **THE COURT:** The tolling is about relation back. Right? 6 I mean, it's all about making sure that -- I mean, the 7 whole point of that in the class-action context is, you know, 8 you have all these unnamed class members who can rely on the 9 fact that somebody is pursuing claims on their behalf. 10 11 don't have to rush to court to file their own lawsuit. Which, if -- if that weren't the case, then we'd probably have a 12 gazillion individual lawsuits against Facebook right now, 13 for -- you know, by individuals who are trying to preserve, you 14 15 know, their own claims, and don't want the clock to run. Ιt 16 makes perfect sense in that context. 17 But when you're talking about somebody who is actually 18 bringing a lawsuit for the first time, it seems like a pure 19 fiction to say that -- to say that they brought the lawsuit 20 back when the prior named plaintiff brought the lawsuit. 21 didn't. They brought it now. 22 MS. DANIEL: I think what those cases say is that we 23 look back to the original complaint when we're talking about when they brought the lawsuit. So that's -- the same thing is 24

true of statute of limitations as is true here. You look back

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to when they brought the lawsuit.

So these putative plaintiffs, like the ones you mentioned, they are waiting in the wings, like you said. They don't need to file their own lawsuit because their claims are on file, California claims in a California forum. They don't need to rush everywhere and file new. The same thing applies. You look back to that original pleading.

THE COURT: But why -- I mean, I guess -- what are your -- do you have cases that apply that concept outside the context -- outside the statute-of-limitations or tolling context?

MS. DANIEL: No, but I think it's that principle, and why relation back is spoken of so broadly. It's the principle of: You have these putative class members; they're allowed to rely on the original complaint. We don't want them rushing off to file their own litigation. All of those principles apply to --

THE COURT: Well, why -- why do those principles apply in a context like this?

I mean, it's sort of weird because the -- I mean, you are sitting here arguing right now on behalf of people in the U.K., that they should not be allowed to file their lawsuits in the U.K. That they should be required to file their lawsuits in California.

In other words, there was previously -- before this

forum-selection clause took effect for these U.K. citizens, there was previously a forum-selection clause that took effect that was far more onerous to people in the U.K., and said that if you want to sue Facebook, you have to sue Facebook in the Northern District of California -- or maybe it was just in California, I can't remember -- and California law will apply.

So there was, like, no incentive before this new forum-selection clause was adopted for people in the U.K. to rush to the California courts to preserve their right to sue Facebook in the California courts before they were entitled to do so in the U.K. courts, was there?

MS. DANIEL: We believe that this is the best forum for the U.K. plaintiffs to pursue their claims. We have a class-action procedure here that is, we believe, better than the class-action procedure available to people in the U.K. to pursue their claims.

In this case, Facebook is here, the evidence is here, the witnesses are here. Discovery is more transparent here.

That's why these plaintiffs belong in this forum, and should want to preserve their California claims.

What we don't want to allow is for defendant in a class-action case to change the operative agreement as to a putative -- all putative class members, and prevent them from having a lawsuit that's already on file.

Like --

THE COURT: That's why I said --

MS. DANIEL: Right.

THE COURT: I mean, I think, you know, if it becomes more difficult -- it would become more difficult for Facebook if they had in fact (Inaudible) the forum-selection clause to try to undercut the class action. Right? But they're required by law to do it.

MS. DANIEL: And I think the problem is that they're applying the forum-selection clause here to extinguish a preexisting lawsuit.

So going forward, May, 2018, and beyond, U.K. plaintiffs could sue for Facebook's conduct in the U.K. But prior to that, the class that was on file as -- April, 2018, that contract is the one that --

THE COURT: Well, you're saying "extinguish a preexisting lawsuit." I mean, that's not correct. Number one, this lawsuit isn't going anywhere. Right? This lawsuit on behalf of all U.S. Facebook users remains.

And number two, it's not even extinguishing the lawsuit on behalf of U.K. plaintiffs. It's dismissing this particular lawsuit by these particular U.K. plaintiffs, and without interfering with their ability to pursue their lawsuit in the U.K. against Facebook.

MS. DANIEL: But it does extinguish their opportunity to pursue California claims in the California forum that they

were entitled to under the prior agreement, and that they had --

THE COURT: It all begs the question -- I mean, everything you and I are discussing just begs the question about what the new language means.

Does the new language, the -- the new forum-selection clause, by its terms, apply to disputes that arose prior to its adoption?

And I just don't see how you can say that the language does not apply to disputes that arose prior to the adoption of this agreement in May of 2018.

what a reasonable reader would read the contract law, you look to what a reasonable reader would read the contract to mean. And if there's any ambiguity, you apply it against the drafter. There's nothing in the contract, though, that indicates to a U.K. plaintiff reading it that: Oh, I am, you know, extinguishing my right to participate as a putative class member in litigation that's already on file.

What we're worried about is there's no conversation between the parties that: Oh, I'm going -- by Facebook: Oh, I'm going to turn around and assert that this clause, you know, extinguishes your participation in a putative class action.

I'm trying to be more careful about the "extinguishes" language because it is more narrow.

And that's what's unreasonable. So I think AT&T court

recognizes that it's odd for a party to be in litigation and then agree to a new contract with a forum-selection clause and a new choice of law, without any discussion of: Oh, by the way, this is going to apply to already-filed claims. It's not even already-accrued claims, it's already-filed claims. That's odd, and AT&T court says that's unreasonable. And that's -- that's our view.

THE COURT: But even as applied to -- let's just change the facts a little bit and pretend that the prior U.K. named plaintiffs never went away. Okay? And these new U.K. plaintiffs who are now proposing to be named plaintiffs -- or I guess they are named plaintiffs, because I granted the motion for leave to amend the complaint.

Let's pretend that these new named plaintiffs from the U.K. never came in as named plaintiffs, and just remained, you know, members of the proposed class action who -- brought by the prior U.K. plaintiffs.

And let's say we got to class certification, and Facebook filed a motion to deny or partially deny class certification, and said that, you know, you can't certify on behalf of the U.K. class because the U.K. class members have since adopted -- have since entered into this agreement that they have to pursue their claims in the U.K.

I mean, wouldn't the answer be the same? That I would -- in other words, I would deny class certification for the U.K.

class, and -- but the members of the U.K. class would be free to pursue their claims in the U.K. Right? Because they have the forum-selection clause.

And presumably -- I mean, this may be a question of U.K. law. But if it were in the U.S., presumably the proposed class members, the proposed U.K. class members would have the statute of limitations tolled. Because they were putative class members in this action up until that point that class certification was denied.

MS. DANIEL: I don't think we disagree that U.K. plaintiffs could, in theory, file a class action elsewhere. But we're asking to preserve the class action that was filed on their behalf in April, 2018, in the forum and under the laws that they prefer, and under the contract that was operative at the time we filed the lawsuit. We don't disagree there.

I do wonder: Does Facebook's argument depend on the fact that they're new? Or, or, as you suggest, is it -- is it true that these terms apply to all U.K. plaintiffs --

THE COURT: Right. And I think -- that's why I'm emphasizing, I think it would be a much more difficult case if either one of two facts were present. One, that Facebook did it not to comply with the law, but to try to undercut the class action. Or two, if -- if Facebook tried to do it to plaintiffs who were named plaintiffs in the lawsuit prior to

the -- this new agreement being reached. Right?

Because if you had a named plaintiff -- imagine if you had -- maybe I should start talking -- why don't we use this opportunity to see if Mr. Falconer briefly wants to respond to any of this.

MS. WEAVER: Thank you, Your Honor. And may it please the Court.

I had four points that I thought would be helpful to the Court, based on the discussion so far. I think textually the clause is unambiguous that it applies to all claims, regardless of when they accrued.

And the idea that we take relation back and use that to somehow treat these unnamed class members as having filed at the time other folks filed, I think it both proves our point, and it proves too much.

I think it -- it proves our point because the concept of relation back in the case law, how it's explained is plaintiffs are treated as though they had filed a complaint, even though they had not. And that's all we're saying, is they had not, in fact, filed a complaint yet. So the relation-back concept, that underscores that these folks were not yet parties and had not yet filed claims.

I think that concept also, for the plaintiffs, proves too much. Because their view, if accepted, would preclude any putative class member from filing their own individual claim

anywhere else. Right?

That's the first-to-file doctrine I'm sure the Court's familiar with, that when you have a lawsuit involving parties and issues --

THE COURT: If the law is going to treat you as already having filed a lawsuit, then you're filing kind of duplicative lawsuits if you --

MR. FALCONER: Right. I mean, under an aggressive first-to-file -- I mean, not even that aggressive, just the letter of the doctrine. Once a person is named as a putative class member, first-to-file would preclude them from filing elsewhere if they were deemed to have filed and be a party to that class action. I just think that can't be the law.

The third point, and one that I feel duty-bound to make but do not want to linger on, I do want to point the Court to the *Salgado* case that we cited in our reply brief, California Court of Appeal case, that clauses that are worded the way this forum-selection clause is worded are routinely applied even to already-filed claims.

So that -- you know, again, we don't need that, because these folks have not yet filed a claim, but --

THE COURT: Yeah. You don't need that, I think, is an important point there. Because I -- you know, I wonder, these courts -- I was looking at that New Jersey District Court case just before the hearing. And I read that Salgado

case yesterday. And, and you know, I do question -- I question whether those cases are missing something.

You know, I guess if I had a case with that fact pattern, where it was a named plaintiff, right, who had previously filed a lawsuit against Facebook, and then Facebook entered into an agreement with them sometime thereafter -- a forum-selection clause, let's say, or arbitration agreement -- and then a court said -- and then it came to court, Facebook came to court and said -- I think the first question I would ask Facebook is:

Well, did you have direct communications with the plaintiff who sued you, when you reached this agreement with them? Or did you negotiate it with their lawyer? Because if you directly communicated with a named plaintiff who sued you, directly negotiated with them, directly communicated with them, and reached this agreement with them about their lawsuit without the participation of their lawyer, you're probably in big trouble.

And I didn't see -- the cases that I read that you cited didn't seem to acknowledge that problem. And I wonder if those courts missed something. But I don't know if it's -- I don't know how relevant it is here, because of the fact that these individuals were not named plaintiffs in the lawsuit at the time that they entered into the agreement.

MR. FALCONER: Right. That's exactly right. And they weren't named plaintiffs. And as Your Honor has noted,

it's undisputed here that this clause was executed for a proper purpose, and in good faith, for GDPR compliance.

The one case that the plaintiff cited invalidating a forum-selection clause, there was an express finding of bad faith, and a bad-faith attempt to defeat the obligation.

There's nothing like that here. And I think that's a controlling fact and circumstance.

The last point I wanted to alert the Court to is there's been some discussion of: In theory, could another action be filed elsewhere. There's been a development since we were together last that we wanted to let the Court know about.

About two weeks ago, a number of news outlets reported that Facebook has been sued in the U.K. in what's called a "group action," in a case arising out of the Cambridge Analytica events. Now, Facebook hasn't been served yet in that case, so we don't have a copy of the claim document, and we don't know all of the specifics.

But the press is reporting -- they've been in touch with the plaintiffs' counsel, that's where they're getting their information -- that the case focuses on privacy issues and data collection by third-party apps. And a group action is the U.K.'s closest equivalent to a U.S. class action.

The case reportedly seeks relief on behalf of more than a million Facebook users in the U.K. So it's not just a theoretical question of: Is there a preclusion problem if

these folks and other U.K. users like them are held to be bound to a mandatory forum-selection clause that requires them to litigate, thousands of miles from their home jurisdiction. Like, this newly-filed case, based on what we know about it, suggests that those are very real questions, and not theoretical ones. And as --THE COURT: Congratulations. MR. FALCONER: Yes. So, lucky us, no doubt. 

But I think in terms of comity, in terms of a court -what court is already dealing with U.K. issues, deals with them
that -- on a daily basis, there is an action, as we understand
it, now pending in the U.K. raising very similar issues to the
issues raised here. So some of the discussion about could they
file elsewhere, could they be part of a group action elsewhere,
it appears that those issues are no longer theoretical.

And we would submit that's another factor that weighs in favor of dismissal under forum non-convenience.

**THE COURT:** Okay.

Ms. Daniel, do you want to wrap up?

MS. DANIEL: We also saw those news articles. But I don't think any case was actually filed in the U.K. I think it's another news article like we saw two years ago about cases -- firms in the U.K. launching investigations against Facebook. But I'm not sure that we've seen one actually

filed, and perhaps that's why Facebook hasn't been served in 1 that case. 2 So one --3 THE COURT: I take it, you're not behind that 4 5 lawsuit? 6 MS. DANIEL: No, I'm not. THE COURT: Got your hands full here, probably? 7 MS. DANIEL: Plenty, plenty to do here. 8 I just want to emphasize again that putative class members 9 are just treated differently than a normal named plaintiff, for 10 11 the reasons that Your Honor identified. So that they don't have to go and quickly file their own litigation. 12 It's just simply a different beast that courts have to 13 deal with. And that that's why we have these special rules 14 15 that only apply in class cases about relating back, or tolling, 16 or just recognizing that substitution of a plaintiff is necessary in these cases, and shouldn't throw a wrench in the 17 18 entire litigation. We don't want defendants to be able to renegotiate a 19 20 contract and then use it to extinguish a putative class's 21 claim. It's not the same as extinguishing an individual 22 plaintiff's claim. It really is -- or individuals just out 23 there, who's not in a putative class. It's different when they're using the new forum to extinguish a putative class in a 24

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case.

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               THE COURT: Okay. I'll issue a ruling shortly.
      This -- this discussion was helpful. And, is there anything
 2
      else we need to discuss today?
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          Judge Corley has you all under control?
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               UNIDENTIFIED MAN: She does, indeed, Your Honor.
               MS. WEAVER: Very much so.
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               THE COURT: All right. Thank you.
               MS. DANIEL: Thank you, Your Honor.
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               MR. FALCONER: Thank you.
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          (Proceedings concluded)
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## CERTIFICATE OF TRANSCRIBER

I, BELLE BALL, CSR 8785, CRR, RDR, hereby certify that the foregoing is a correct transcript, transcribed to the best of my ability from the official electronic sound recording of the proceedings taken on the date and time previously stated in the above matter.

I further certify that I am neither counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken; and, further, that I am not financially nor otherwise interested in the outcome of the action.

BelleBall

/s/ Belle Ball

Belle Ball, CSR 8785, CRR, RDR Monday, November 23, 2020